

Statement for the Record

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Introduction

Chairman Davis, Ranking Member Waxman and Members of the Committee, thank you for the opportunity to appear before you today to discuss the Homeland Security Grant Program and specifically, concerns raised about the allocation process for the Urban Areas Security Initiative (UASI) funds.

There has been much debate and discussion during the past two weeks. Some of the information presented in public has been accurate and some has not. The debate itself is positive – it is welcome and necessary for the public to be engaged in discussion over homeland security priorities and funding.

One thing however is very clear: the discussion on funding should not be an issue of placing the safety and security of any one person, community or State in America ahead of another. This is very much about making our entire nation safer and more secure by managing risk in a way that lessens the vulnerability of the entire country.

The safety and security of each and every American lies at the core of the mission of the Department of Homeland Security (DHS), and it is a mission that the men and women of the Department take seriously.

However, a safer and more secure America is not an exclusive mission of the Department of Homeland Security. America's safety and security is a shared national responsibility. It is a mission that is shared among local, State and Federal agencies, the public and private sectors and the American people. In the context of terrorism, it requires an unprecedented mix of efforts – border and immigration controls, security in our ports, and airports and protection of critical assets and infrastructure, including transportation, communication, financial and energy. Homeland security is about managing risk for the entire nation based on a comprehensive national approach; it is about applying limited resources most effectively based on our understanding of America's overall risk.

Let me be very clear, there is a critical distinction to be made: Threat is not synonymous with risk, nor is risk analysis synonymous with risk management, as I will discuss later.

There are many tools employed every day and in every way to keep our nation safer and more secure from the threat of terrorism and a host of other hazards and threats that comprise our national risk continuum. Today, I would like to focus on the Homeland Security Grant Program (HSGP).

The HSGP is the Department's primary means of homeland security assistance to the states and local communities, and it includes the State Homeland Security Program (SHSP), the Law Enforcement Terrorism Prevention Program (LETPP), and the Urban Areas Security Initiative (UASI), along with the Metropolitan Medical Response System and Citizen Corps Programs. As such, HSGP is one of the Department's most important and visible mechanisms to manage national strategic risk.

Today's testimony will focus on the method DHS utilized to evaluate the risk of terrorism to States, territories, and Urban Areas; the peer review process we employed to determine the expected effectiveness of proposed solutions, and ultimately, the risk management techniques we used to determine allocations for Fiscal Year (FY) 2006. I will go into great detail regarding how the Department strived to employ an objective, comprehensive, and fair process for allocating FY2006 HSGP grants to improve nationwide terrorism preparedness.

The debate about "who got how much" has overshadowed the more important discussion about the best way to use limited financial resources to increase America's security. We used an approach this year that expands our understanding of what constitutes risk while taking into account Congressional guidance encouraging our nation to move away from "reaction" to "strategic preparation."

As Secretary Chertoff said in recent remarks pertaining to this program,

"We cannot protect every single person at every moment in every place against every threat. What we have to do is manage the risk, and that means we have to evaluate consequence, vulnerability, and threat in order to determine what is the most cost-effective way of maximizing security."

The Department's grants programs have traditionally provided financial assistance to all 50 States, the District of Columbia, the Commonwealth of Puerto Rico, and the U.S. Territories. By the end of Fiscal Year (FY) 2006, states and localities will have received from DHS over \$18 billion in assistance and direct support from the Department of Homeland Security since September 11, 2001. This does not account for the additional billions made available from the Departments of Health and Human Services and Justice.

The Department is making significant, important, and vital changes to HSGP, both with the analytic capabilities that support the program and the management techniques we use to determine allocations. And, as we have all seen from the reaction to our FY 2006 allocations, implementation of risk management will not necessarily be an easy or a popular shift. However, it is an important shift and one that we take seriously. We have and will continue to solicit feedback on our processes and are willing to listen to criticism and suggestions for improving our processes. With billions of dollars being allocated each year, this is a serious business - and we believe that healthy debate about risk management principles will only make these processes better and more transparent. Despite recent successes globally in the war on terror, America's security will be a marathon and not a sprint. We need an objective funding process that will sustain improvements for the long- term.

Today, I hope to articulate the following policy considerations:

- 1) The objectives of the Homeland Security Grants are to enhance capabilities to prevent, deter, respond to, and recover from acts of terrorism, to be allocated based on risks, threats, vulnerabilities, and unmet target capabilities. It is long-standing Administration

policy that the limited pool of Federal grant resources should be used to improve long-term capabilities that provide a maximum return on investment, instead of to finance day-to-day reoccurring local [first responder] operational costs.

2) The new DHS risk assessment process incorporates the tremendous increase in risk information, which has improved our understanding of both specific risks, relative risk and the distribution of risk across our entire nation.

3) In applying risk assessments to the grant process, the Preparedness Directorate has emphasized the principle of risk reduction, including the peer-review scoring, which assesses the likelihood that Federal resources will reduce long-term risk and address short falls in capability. The new allocation formula, based on risk and effectiveness, strives to provide an objective process that is flexible to account for improved informational awareness and future evolutions in threat, consequence, and vulnerability.

FY 2006 – A Transition Year

FY 2006 marks the first HSGP grant cycle in which the Interim National Preparedness Goal is in place to identify National Priorities and help focus local and state expenditures. This common planning framework, and the tools that support it, allows us individually as communities and states and collectively as a Nation to better understand how prepared we are, how prepared we need to be, and how we prioritize efforts to close the gap. The absence of this type of consistent preparedness target is at the forefront of many of our national shortcomings over the past 25 years. The Interim National Preparedness Goal demands that we focus attention on “raising the bar” of preparedness across the country to establish minimum capabilities and be prepared for the risks we face. This, along with measurement of risk, gives us an important management consideration for our grant programs.

Accordingly, the Department of Homeland Security has been aggressive in:

- 1) improving the risk analysis tools used to determine a National risk profile, so that we can target funding at higher risk locations, and
- 2) clarifying the risk management objectives for the HSGP, within the context of the National Preparedness Goal

This year we have also implemented another significant change in how funds under the HSGP are allocated. In previous years, States and Urban Areas knew their funding allocations prior to submitting grant applications. Based on substantial input from the national preparedness community Congress, and our focus on risk management, Department has moved towards a risk-based approach that incorporates a competitive element, to allocating funds for HSGP. This is a critical step in achieving a Homeland

Security Grants Program that emphasizes risk-informed grant making, increased accountability and is focused on maximizing the return on investment of grant funds.

Applying Risk

Key to this year's process is a much better understanding of our national risk. New York City and the National Capital Region (NCR) clearly remain at the top of the list of American urban areas with a risk from terrorism. We know this for several reasons, including the facts that they were the sites of the horrific attacks on September 11, 2001 and that there has been much open source reporting about them being targeted since that time. A key criticism of our national approach to addressing the terrorist threat pre September 11th is the fact that we as a nation were not adequately preparing for multi-faceted threats from our adversaries.

Our enemies still wish to inflict both physical and economic harm on the United States. The understanding of their intentions is informed by the work of our national intelligence and law enforcement apparatus, public statements of their leaders as well as materials acquired from a variety of open sources and reported extensively by the media. This combination has informed our national risk management strategies that include a better understanding of how attacks targeting specific sites can not only kill or injure people nearby, but can also cause significant disruption of our national economy and potentially undermine societal confidence.

This understanding is widely shared and underscores both the Administration's and Congress's desire to assess and categorize our national assets – things such as key transportation hubs, financial processing sites, nuclear power and chemical plants, priority communication and energy systems. These are sites that, if attacked, would have an extraordinary impact not only on the surrounding population and community, but in some cases, the nation as a whole. In the first year of this grant program we had categorized approximately 200 sites, in 2004 some 1700, in 2005 approximately 11,300. This year, we further expanded the number of sites to include many considered to be 'high risk' by the surrounding state and local jurisdiction, which brought the total number of sites in the analysis to over 260,000 sites.

With improved assessments, we are better prepared to protect critical infrastructure across the nation. We are better able to work with our colleagues in the intelligence and law enforcement communities. A major effort since 9-11 has been geared toward the fusion of intelligence and law enforcement reporting the so called "connecting of the dots". Through our partnerships with state and local authorities, we have a better understanding of the reporting of suspicious monitoring activities by local and state authorities that may constitute surveillance, as well as a more organized approach to including information from on-going terrorism related investigations. These together help inform our risk analysis.

Relative Risk

With the enhanced methodology and broader set of data inputs, we were able to capture a truer estimation of relative risk for all urban areas. The footprint within which we analyzed the risk to both assets as well as geographic areas and populations was broadened this year to more accurately reflect the regional context in which these jurisdictions operate and the critical infrastructure for which, in coordination with the private sector, public safety officials in these areas are responsible. We had better data about not just New York City and NCR, but about the entire country and across a broader range of sectors. As a result of these improvements, many areas' risk scores changed significantly, a reflection of a more sophisticated analytical approach to gauging the risk urban areas face relative to one another.

It is important to understand the downstream impact of these changes in relative risk. New York City and NCR suddenly have less risk in an absolute sense. New York City and NCR continue to be among the highest risk Urban Areas. However, the relative values for virtually all other candidates increased this year due to our better understanding of risk and how to analyze it. The relative differences among the higher risk candidates is what changed from last year to this year. Indeed, Urban Areas such as Los Angeles, Chicago, and Houston saw their share of national risk relative to New York City and NCR increase considerably, in some cases doubling or tripling compared to previous analysis. These changes in relative risk were key drivers in the changes in funding allocations.

Assessing Risk

In past years, DHS' risk analysis was largely driven by population size and density. But over time we have been able to develop enhanced techniques to analyze risk. In FY 2006, the risk analysis considered three primary components: Threat, Vulnerability, and Consequence. The Threat component represents an adversary's intent to attack a specific target and its potential capability to execute the attack; the Vulnerability component embodies the susceptibility to an adversary's attack and the likelihood that it will achieve an impact; and the Consequence component measures the possible impact from such an attack.

Specifically, in the UASI program, which is part of the HSGP, the bulk of these funds have gone to those urban areas that are generally recognized to be the highest risk in the Nation. In fact 45 percent of the funding has gone to just five of the urban areas— New York City, the National Capital Region, Los Angeles/Long Beach, Chicago, and the San Francisco Bay Area.

HSGP and Risk Management

I would like to explain how we analyzed risk for determining the 2006 grant funding.

The Department of Homeland Security has many risk management resources at its disposal—people, technology, and funding are just a few. The HSGP is among the most valuable of these tools because it allows us to partner with our States, Territories and Urban Areas and First Responder communities, and support national preparedness goals.

The Administration, Congress, State and Local stakeholders, first responder organizations, and industry groups have called for more risk management approaches to inform homeland security grant allocations. There has been a clear recognition that our national approach requires that we apply federal funding resources in a way that maximizes resources to benefit all Americans.

In our effort to improve our methods for risk management of the terrorist threat we considered several key factors.

1. Ultimately, it is the States, Urban Areas and Territories that own the risk in their respective areas, and they must make investments locally that will build needed capabilities and address identified risk. DHS's risk management job is to provide them guidance, and within available resources, financial assistance to make these investments. In this program, we have been directed to invest in initiatives that promote unity of effort at the community, regional, state, and national levels. They must continue to provide tangible benefits beyond the flow of Federal dollars.
2. When managing risks, we must rely on analysis of risk to inform our management process, but be cognizant of the inherent uncertainty of this analysis. Consider this definition of risk analysis from the Society for Risk Analysis:

“Risk analysis uses observations about what we know, to make predictions about what we don’t know.”

I think this sums up risk analysis in the context of homeland security quite nicely. We have carefully considered the factors that experts believe lead to risk, and we have confidence in our approach. But we are realists and we understand that risk in the terrorist context is new, constantly changing, and lacks the measuring history of data flow found in other hazards.

Terrorist threat cannot be predicted with the reliability of hurricanes or floods, or mechanical failures. No matter how much we invest in scientists and algorithms, we cannot measure terrorism risk in an absolute sense. Therefore, we emphasize building capabilities to manage risk nationwide based on the best estimations possible. Our profile is built on an analysis of relative risk—based on what is known.

3. Risk Analysis DOES NOT EQUAL Risk Management. In fact, the Society for Risk Analysis definition makes this point better than I can:

Risk analysis seeks to inform, not to dictate, the complex and difficult choices among possible measures to mitigate risks.

As this indicates, the risk analysis is only one input to the risk management process that should be considered for Homeland Security. In any risk context, risk management typically involves considerations beyond the quantifiable analysis. Risk management includes many other considerations such as management objectives, fiscal constraints, one's ability to actually impact the risks one faces, and the strategy that best serves our overall national interests. The primary risk management objective of the HSGP is to: raise the bar of preparedness across the at-risk states, territories and Urban Areas as part of an interdependent national effort by directing funds to areas of greatest risk and need.

These two objectives announced by Congress require the Department to balance the desire to focus resources on areas at relatively greater risk, with the desire to promote use of federal resources for strong solutions that "raise the bar" of national preparedness and address national risk.

Thus, common sense dictates that managing risk through the HSGP program involves much more than just distributing dollars in proportion to the relative risk data that we generate each year. Rather, it is viewed as a means for reducing risk and promoting national objectives.

Promoting Effectiveness

For FY 2006, States and Urban Areas submitted grant applications, called Investment Justifications, to formally request FY 2006 HSGP funding in support of their strategies and related program planning documents. These applications were reviewed through an intensive peer review process. The FY 2006, competitive grant process to allocate funds to States and Urban Areas was based on two factors:

- 1) The relative risk to assets and populations within the eligible applicant's geographic area, and
- 2) The anticipated effectiveness of the individual investments comprising the Investment Justification, in aligning to the Interim National Preparedness Goal and addressing the identified homeland security needs of each applicant.

Finding the right balance between these two factors is the central risk management challenge. It requires us to conduct extensive analysis of relative need and risk, thoroughly review applications, and rigorously analyze the potential effectiveness of the

grant funds. The Department of Homeland Security conducted an unprecedented amount of analysis to arrive at decisions about grants funding. We took into consideration alignment with other national policy initiatives and statute objectives, as well as ensuring consistency of approach both over time and between the HSGP programs.

The major considerations of project requests were the following:

- Relevance – Connection to the National Priorities, Target Capabilities List, State/Urban Area Homeland Security Strategy goals and objectives, and the Enhancement Plan.
- Regionalization – Coordination of preparedness activities across jurisdictional boundaries by spreading costs, pooling resources, sharing risk, and increasing the value of their preparedness investments.
- Impact - The effect that the investment will have on addressing threats, vulnerabilities, and/or consequences of catastrophic events.
- Sustainability – The ability to sustain a target capability once the benefits of an investment are achieved through identification of funding sources that can be used beyond the current grant period.
- Implementation Approach – The appropriate resources and tools are (or will be) in place to manage the Investment, address priorities, and deliver results.

The peer review process provides a significant incentive for States and Urban Areas to spend the limited pool of Federal resources on projects that will provide a meaningful return on investment and a lasting impact on reducing the risks of terrorism.

FY06 HSGP Allocation Formulations

Given the considerations I have just outlined, our task in transforming the HSGP this year was to build an allocation process that balanced our existing analysis of relative risk with our belief in the anticipated effectiveness of the Investment Justifications provided by the States and Urban Areas.

Risk analysis

As noted, DHS defines risk by three principal variables: Threat, or the likelihood of a type of attack that might be attempted, vulnerability, or the likelihood that an attacker would succeed with a particular attack type, and consequence, or the potential impact of a particular attack. The risk model used as input to the HSGP process includes both asset-based and geographically-based terrorist risk calculations. DHS combines these complementary risk calculations to produce an estimate of the relative risk of terrorism faced by a given area.

The asset-based approach uses strategic threat estimates from the Intelligence Community of an adversary's intent and capability to attack different types of assets (such as chemical plants, stadiums, and commercial airports) using different attack

methods. DHS analyzes the vulnerability of each asset type relative to each attack method to determine the forms of attack most likely to be successful. Additionally, DHS estimates the consequences that a successful attack would have on each asset type, including human health, economic, strategic mission, and psychological impacts. This analysis yields a relative risk estimate for each asset type, which DHS applies to a given demographic area, based on the number of each asset type present within that area.

The geographic-based approach allows DHS to consider general characteristics of a geographic area mostly independent of the assets that exist within that area. First, DHS evaluates reported threats, law enforcement activity, and suspicious incidents reported during the evaluation period. Next, DHS considers vulnerability factors for each geographic area, such as the area's proximity to international border. Lastly, DHS estimates the potential consequences of an attack on that area, including human health, economy, strategic mission, and psychological impacts.

DHS's ability to analyze risks to the Nation is improving each year in both breadth and sophistication. Despite the known limitations of the Department's analysis, the results confirm two fairly intuitive points:

- 1) The majority of the risk is contained in a handful of locations throughout the country. This is the argument so strenuously made by that handful of localities. However,
- 2) There are risks to other urban areas that we have begun to assess more accurately. These areas have previously received relatively small amounts of grant funding. The HSGP risk analysis considered much more than the final number of cities that made the Urban Area list. Those that made the list did so because they had a level of risk. In this case, the urban areas under UASI contain 85% of our national urban area risk. Attachment A reflects both the funding and risk curve and you can see these correspond.

Given these two results, and drawing on intuition and common sense, it seems reasonable that while we must fortify higher-risk locations, we cannot ignore the risks in the other locations.

Anticipated Effectiveness

States and Urban areas each submitted up to 15 investments for consideration. These investments were submitted with an Investment Justification, which allowed them to describe specific funding and implementation approaches that would help achieve initiatives outlined in the Statewide Program and Capability Enhancement Plan. This plan developed in the Fall of 2005 establishes how Urban Areas and States will work to develop their individual capabilities as part of a broader national effort. The Investment Justification allowed the States and Urban Areas to request funding for allocation to their

near-term priorities, consistent with the National Priorities articulated in the Interim National Preparedness Goal

The effectiveness review is a method to evaluate a state or Urban Area proposal in relation to others submitted and against the grant program criteria provided. It is not, I repeat it is not an evaluation of how well an initiative is or is not performing in a particular State or Urban Area. This element, added with Congressional direction and support, is designed to encourage uses of funds in accordance with pre-announced program guidelines and that will both enhance community, state and national preparedness beyond a grant period.

As we are not allocating funding to specific investments, our risk management objective was to determine the “anticipated effectiveness” of the investments contained in the Investment Justification. To do this, DHS convened a panel of a cross section of representatives from States, Territories, and Urban Areas, and from a variety of Homeland Security and Emergency Management disciplines.

States and Urban Areas sent high ranking officials to be reviewers; for example, three States sent their most senior Homeland Security Directors. From the Fire and Rescue community, an Assistant Deputy Fire Chief, Battalion Chief, Fire Operations Chief, and a Fire Emergency Management and Communications Chief participated, from Law Enforcement, an Assistant Chief of Police, Captain of a Sheriff’s Department, Commander of a Special Response Team, and a Lieutenant from a Homeland Security and Tactical Operations. All used their knowledge and experience to evaluate the anticipated effectiveness of proposed solutions from their peers. These examples are only a subset of the vast experience of peer reviewers who participated in the HSGP process.

Peer review panels were made up of reviewers from varied backgrounds and experience - and to avoid potential conflicts of interest - diversity was emphasized. Each panel included a balance of representation from each region (Eastern, Central, and Western). The peer review panels reviewed and scored each individual Investment included in the Investment Justification as well as the Investment Justification submission in its entirety. The peer review panels also reviewed the Enhancement Plan to ensure alignment among Initiatives from the Enhancement Plan with proposed Investments.

As expected, the scores for the individual investments followed a distribution from very low to very high, with the majority of scores falling in the mid-range.

The anticipated effectiveness score for each State, Territory, or Urban Area was calculated by combining the weighted average of the individual Investment scores and the overall Investment Justification score. This combination gives a broad measure of both the overall vision of the State, Territory, or Urban Area homeland security program and the specific intent of the proposed investments.

Allocation Model

To support the management objectives of HSGP, we investigated several allocation techniques, and ultimately arrived at two management decisions. First, we gave particular attention to the analysis for New York City and the National Capital Region to ensure that the allocation process optimally accounts for their risk information and infrastructure assets. In addition, we selected a two-by-two matrix approach that allows us to evaluate Investment Justifications based on the Relative Risk to the Applicant vs. the anticipated Effectiveness of the Investment Justification submitted by that applicant.

This two-by-two matrix approach provided us with the following benefits:

- Ø It allowed us to assemble a picture of the challenge recognizing that the two factors we value: Relative Risk and anticipated Effectiveness are distinct and not inherently correlated
- Ø It gave us a relatively simple lens through which to view the decision space as policy makers, while still allowing a known model to drive final allocations.

To generate final HSGP allocations, we assembled two of these matrices: one for States and Territories subject to SHSP and LETPP dollars, and one for Urban Areas subject to UASI dollars. The matrices worked the same. Each applicant was plotted in the matrix by using their relative risk score and their Investment Justification Effectiveness rating.

Once plotted in the matrix, each applicant fell into one of four quadrants:

- Quadrant 1: higher relative risk/higher anticipated effectiveness
- Quadrant 2: higher relative risk/lower anticipated effectiveness
- Quadrant 3: lower relative risk/higher anticipated effectiveness
- Quadrant 4: lower relative risk/lower anticipated effectiveness

Once allocations were determined for each of the four quadrants, final dollar allocations were determined. For that, Relative Risk was weighted two-thirds and anticipated effectiveness was weighted one-third to emphasize the risk-based nature of the programs while recognizing strong program solutions. Using our analytic model, we generated the final allocation results you have seen, and which are illustrated by the chart below.

FY 2006 UASI Allocations

Urban Area	Allocation
AZ - Phoenix Area*	\$3,920,000
CA - Anaheim/Santa Ana Area	\$11,980,000
CA - Bay Area	\$28,320,000
CA - Los Angeles/Long Beach Area	\$80,610,000
CA - Sacramento Area*	\$7,390,000
CA - San Diego Area*	\$7,990,000
CO - Denver Area	\$4,380,000
DC - National Capital Region	\$46,470,000
FL - Ft. Lauderdale Area	\$9,980,000
FL - Jacksonville Area	\$9,270,000
FL - Miami Area	\$15,980,000
FL - Orlando Area	\$9,440,000
FL - Tampa Area*	\$8,800,000
GA - Atlanta Area	\$18,660,000
HI - Honolulu Area	\$4,760,000
IL - Chicago Area	\$52,260,000
IN - Indianapolis Area	\$4,370,000
KY - Louisville Area*	\$8,520,000
LA - Baton Rouge Area*	\$3,740,000
LA - New Orleans Area	\$4,690,000
MA - Boston Area	\$18,210,000
MD - Baltimore	\$9,670,000
MI - Detroit	\$18,630,000
MN - Twin Cities Area	\$4,310,000
MO - Kansas City Area	\$9,240,000
MO - St. Louis Area	\$9,200,000
NC - Charlotte Area	\$8,970,000
NE - Omaha Area*	\$8,330,000
NJ - Jersey City/Newark Area	\$34,330,000
NV - Las Vegas Area*	\$7,750,000
NY - Buffalo Area*	\$3,710,000
NY - New York City	\$124,450,000
OH - Cincinnati Area	\$4,660,000
OH - Cleveland Area	\$4,730,000
OH - Columbus Area	\$4,320,000
OH - Toledo Area*	\$3,850,000
OK - Oklahoma City Area*	\$4,102,000
OR - Portland Area	\$9,360,000
PA - Philadelphia Area	\$19,520,000
PA - Pittsburgh Area	\$4,870,000
TN - Memphis Area	\$4,200,000
TX - Dallas/Fort Worth/Arlington Area	\$13,830,000
TX - Houston Area	\$16,670,000
TX - San Antonio Area	\$4,460,000
WA - Seattle Area	\$9,150,000
WI - Milwaukee Area	\$8,570,000

*Sustainment Urban Area

The allocation process used this year to distribute the nearly \$711 million in UASI funding, \$125 million less than FY 2005 (overall HSGP funding was reduced \$343 million below the President's request), to 46 metropolitan areas was structured to take into account both the risk and effectiveness of the proposed investments.

National Capital Region

The National Capital Region has received, on average, approximately 8 percent of all funding through the Urban Areas Security Initiative since the program's inception, and has received almost \$214 million overall from the UASI program since 2003. Over that period, the NCR urban area has received third highest amount of grant funding from the UASI program, behind only New York City and Los Angeles/Long Beach Urban Areas.

The relatively high risk ranking played a major factor in the NCR receiving 7 percent of the total UASI funds available this year, nearly \$46.5 million, and the allocation is clearly consistent with previous, annual allocation percentages.

As we look at investing Federal dollars, within the National Capital Region or elsewhere, we are seeking investments that promise to increase the overall capability of a region through funding such things as equipment and specialized training. Washington, DC, and its partners have worked hard in this area. However, we must also ensure that resources are also available to enable other at-risk communities to enhance their preparedness.

We must also consider the unique resources available to the National Capital Region through the permanent station of Federal operational resources that supplement what is being done by local and state officials. This includes air patrols, Federal law enforcement agents and other specialized federal response teams whose vigilance and capability may not be quickly available to other American urban areas. Together, these assets contribute to an integrated network that protects the National Capital Region.

Mr. Chairman it is essential to recognize that the grants process will only be successful if it is a nationwide effort to manage risk.

New York City

Let me turn briefly to the New York region. NYC remains the highest-ranked city for relative risk; of the more than 260,000 assets considered in the risk analysis process, nearly 7,000 came from New York City alone. However, due to the increase in information in our analysis and our better understanding of risk in regional areas, the "lead" that NYC had over other urban areas is smaller than it has been in past years. In simple practical terms, this means that there are very large UASI areas out there whose relative level of risk has "gotten closer" to that of NYC.

Since the creation of the Urban Area Security Initiative (UASI) program, New York City has received approximately 19% of the program's total grant funding, or more than twice the amount of the second largest recipient, even though the program now covers dozens

of American cities. The next largest recipient, Los Angeles, has received approximately 8% of the funds awarded through the program.

HSGP Guidance

Prior to the release of the HSGP guidance, DHS provided extensive assistance to States and local governments in their development of updated Homeland Security Strategies and the Capability Enhancement Plans, which link investment planning to the National Priorities outlined in the Interim National Preparedness Goal. This guidance for the development of Enhancement Plans was a critical precursor to the development of successful Investment Justifications that meet the criteria assessed by the Peer Review Panel during the HSGP application process.

Between the time that the FY2006 Homeland Security Grant Program (HSGP) guidance was released on December 2, 2005, and the application due date of March 2, 2006, the DHS Grants and Training (G&T) Preparedness Officers for both the State of New York (NY) and the District of Columbia (DC) had frequent contact with NY and its Urban Areas, and DC and the National Capital Region (NCR) Urban Area. The officers were available to answer technical questions regarding the process. Due to the competitive nature of the application process, G&T staff members were not able to discuss or offer advice regarding specific program or budget proposals that may unfairly benefit one application over another.

G&T provided technical assistance to assist with the Program and Capability Review (PCR), which was the core planning process each State was required to conduct prior to submitting proposals. The PCR justified how any FY 2006 funds would be invested. Approximately 34 representatives from NY State, to include representatives from both the New York City and Buffalo Urban Areas, participated in the PCR technical assistance on November 30, 2005. Approximately 65 representatives from DC and the NCR Urban Area participated in their PCR technical assistance on January 5, 2006. Both of these sessions stressed the need to emphasize broad regionalization and include additional stakeholders, such as other local regions and the private sector, in the program planning process.

In addition to the formal PCR technical assistance deliveries, G&T Preparedness Officers had frequent, often daily, contact with the NY and NCR Urban Areas. As an example, the New York Preparedness Officer attended the NYC Urban Area Working Group meetings on a monthly basis, and a special meeting regarding the PCR process was held on November 28, 2005, for the NCR Urban Area Senior Policy Group. Representatives from DC and the NCR participated in the pilot development of the PCR technical assistance program on November 4, 2005, and served on the pilot working group to assist in shaping the PCR technical assistance offering. Feedback provided during the pilot was used to refine the design and materials prior to deployment to States and Territories across the Nation.

Conclusion

Mr. Chairman it is essential to recognize the distinction between risk and threat. Although threat is a large component of risk, *risk does not equal threat*, but considers it along with vulnerability and consequences. Likewise, *risk analysis informs, but does not equal risk management*. We now have a much better understanding of nationwide risk than we have in the past, along with the ability to evaluate risk mitigation strategies. As a result we now have a dynamic process for managing risk that reflects the Nation's priorities. We have come a long way in our understanding of risk and as we learn we will continue to improve this still evolving process.

Managing risk is a national responsibility. We would not be acting responsibly if we simply looked at each individual state or Urban Area as its own entity in making risk-based decisions. America's security requires a comprehensive approach and the federal government has an obligation to protect the entire nation. We must take steps necessary to ensure that all of our high risk areas increase their levels of capability. The grants allocation process is not about making Omaha, or Chicago, or Washington D.C. safe and secure—it's about making America safe and secure.

We must remember that providing grants to the states and Urban Areas is just one aspect of managing risk. Whether it's through border security, ensuring the security of nuclear plants, food storage facilities, financial centers across the country or cracking down on illegal immigrants, what we do in one area of the country will make a difference everywhere else.

We must work together to close gaps in America's security. We know that terrorists are working hard to exploit gaps in our efforts and the American people deserve no less than our very best effort to thwart those who would do us harm. I would like to thank the committee for its time today and I appreciate this opportunity to bring further transparency on this process.